



# LETTER OF COMMENT NO. 23

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March 2, 2009

Technical Director
Financial Accounting Standards Board
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File Reference: Proposed FSP FAS 107-b and APB 28-a

PricewaterhouseCoopers appreciates the opportunity to comment on the proposed FASB Staff Position No. FAS 107-b and APB 28-a, *Interim Disclosures about Fair Value of Financial Instruments* (the "Proposed FSP").

We support the Board's project to extend fair value disclosures for financial instruments to interim financial statements. We also support the Board's efforts to work with the IASB on a broader project on financial instruments. Until that project is completed, we believe that the proposed FSP will provide greater transparency regarding the fair value of all financial instruments.

Our responses to the specific questions raised in the Proposed FSP follow.

#### Question 1

Do you agree that the proposed disclosures should apply to all financial instruments currently included within the scope of Statement 107? If not, which financial instruments do you propose should be included within the scope of this proposed FSP?

We agree that the proposed disclosures should apply to all financial instruments included within the scope of Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments* (Statement 107). We understand that in response to the Board's proposed FSP No. FAS 107-a, *Disclosures About Certain Financial Assets: An Amendment of FASB Statement No.* 107, some respondents requested more timely fair value information for certain financial assets that are not carried at fair value (e.g., mortgage loans). Although not all users may be as concerned about similar disclosures for other financial instruments, including investments in equity securities that do not have readily determinable fair values, and financial liabilities that are not carried at fair value, different users may find different information useful. We believe that limiting the population of financial instruments subject to additional disclosure would likely be both difficult and arbitrary and therefore support disclosure for all financial instruments within the scope of Statement 107.

We recommend that the FASB clarify how the practicability exception in Statement 107 should be assessed on an interim basis. The term "practicable" is defined in Statement 107 to mean "an estimate of fair value can be made without incurring excessive costs." Some believe that an estimate that is considered practicable for disclosure in annual financial statements must also be considered practicable for disclosure in interim financial statements, while others believe that considerations about the cost of more frequent disclosure may make a particular estimate practicable for certain periods but not necessarily practicable for both interim and annual reporting periods.



# Question 2

Do you agree that the proposed disclosures should be applicable to all entities covered by Statement 107? If not, which entities do you propose should be exempt from the proposed additional interim reporting requirements?

We agree that the proposed disclosures should be applicable to all entities covered by Statement 107.

### Question 3

Are the proposed requirements to disclose fair value information for all interim and annual reporting periods ending after March 15, 2009, operational? If not, what would be an appropriate effective date? Why?

We believe that operational issues will vary from company to company, depending on the nature of the financial instruments held and other factors, including the sophistication and adaptability of its existing systems and processes. We understand that some companies have developed systems and processes to capture fair value information only on an annual basis for those financial instruments that are not measured at fair value in the financial statements. Producing this information more frequently may, in certain cases, require significant incremental effort, including changes in processes, systems and related internal control mechanisms. As a result, for some companies, the requirements of the Proposed FSP may not be operational for interim and annual periods ending after March 15, 2009. We understand that the Board will consider the responses of preparers when determining an appropriate effective date.

#### Question 4

Are the proposed requirements to disclose the method(s) and significant assumptions used to estimate the fair value for all financial instruments for all interim periods subsequent to initial adoption operational? Why or why not?

We believe that the proposed requirements to disclose the method(s) and significant assumptions used to estimate the fair value of all financial instruments for all interim periods are operational, primarily because this information is already required to be disclosed in annual financial statements in accordance with Statement 107. However, while this information may be useful when considering the related quantitative fair value disclosures, we are not convinced that disclosure in interim financial statements is necessary. Accounting Principles Board Opinion No. 28, *Interim Financial Reporting* (APB 28), generally does not require that this type of qualitative information be disclosed in interim financial statements, except when significant changes in the manner of making accounting estimates are required to be disclosed in accordance with paragraph 30(g) of APB 28 (and, for public companies, by Rule 10-01 of Regulation S-X). In addition, we note that the Board addressed a similar issue when considering the interim disclosure of valuation techniques under Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (Statement 157). As described in paragraph C105 of Statement 157, the Board decided to limit the disclosures that are required in interim periods to quantitative disclosures to address respondents' concerns that interim disclosures of similar qualitative information were not cost beneficial.



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# Additional Comment

Footnote 3(a) to paragraph 10(b) of FSP Nos. FAS 115-1 and 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, states that "...an investor may not estimate the fair value of a cost-method investment during a reporting period for Statement 107 disclosure because (a) Statement 107 requires disclosure only for annual reporting periods..." If the Proposed FSP is finalized as proposed, this footnote should be deleted as it would no longer be relevant.

We appreciate the opportunity to express our views on the Proposed FSP. If you have any questions regarding our comments please contact Marc Anderson (973-236-4678).

Sincerely,